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The Foreign Trade of the United States Since the Signing of the Armistice

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THE abnormal conditions resulting from the War and the slowness with which the world is recovering from its saturnalia of destruction are clearly reflected in the foreign trade statistics of the United States. Whether one considers our foreign trade from the angle of the relationship between quantities and values of goods shipped or from that of the excess of exports over imports, whether one views it from the standpoint of the character and the direction of the commodities moved or from that of the methods used in financing shipments, one must conclude that the world in its industrial life is yet under the shadow of the Great War. The turbulent waves set into motion on the seas of international commerce have not yet subsided, and the movement of goods and of payments is yet far from what one would expect it to be in an era of peace and prosperity based upon an intelligent utilization of the natural resources in the various regions of the globe.

Four years of exaltation and of agony, of fear and hope, of hatred and devotion, four years of roaring cannons and of bursting shrapnel have left Europe, the main workshop of the world, wounded, dazed, incapable of quickly returning to the sustained effort and the humdrum existence of mill and factory towns. Those who expected that with Germany's acknowledgment of defeat a new industrial Europe would immediately emerge from the ruins of the old one proved poor economists and poorer psychologists.

It is somewhat difficult to foretell at present how soon a normal basis in our commercial intercourse with foreign nations will be reached. However, certain tendencies are beginning to manifest themselves which corroborate the contentions of those who have been pointing out the utterly artificial character of our trade development since the memorable days of August, 1914.

GROWTH OF EXPORT TRADE

The rapid growth in the value of our foreign commerce which commenced in 1915 and continued through the war was not checked by the cessation of hostilities. During the year ending June 30, 1919, our exports were valued at \$7,232,282,000 and our imports at \$3,095,720,000, giving us a total of \$10,328,002,000 as contrasted with a total trade of \$8,865,367,000 in 1918 and \$4,258,505,000 in 1914. The excess of exports over imports, the largest in the history of the country, equalled \$4,136,563,000; the excess in 1918 was \$2,974,056,000 and in 1914, \$470,653,000.

One of the main characteristics of our trade in 1920 was a rapid advance in the value of imports; they rose to \$5,238,622,000, which represented an increase of \$2,142,902,000 over the previous year. Exports rose during the same period to \$8,111,040,000 and the total trade to \$13,349,662,000. Because of a much more rapid advance in the value of imports than of exports our so-called "favorable" balance of trade declined to \$2,872,418,000.

That the high peak in our excess of exports over imports has been reached

and passed may be inferred from the fact that for eleven months ending November, 1920, our exports equalled \$7,508,424,000 and our imports \$5,013,299,000. Preliminary estimates of our foreign trade for the calendar year 1920 place the exports at about \$8,191,000,000 and the imports at approximately \$5,468,000,000, leaving a balance in our favor equal to \$2,723,000,000; the balance of trade in the calendar year 1919 was \$4,016,000,000, or 48 per cent above that of 1920. This decline in the excess of exports over imports may be hailed as one of the most satisfactory developments in our commercial relations with foreign countries; only through such a decline, if it is carried far enough, shall we, as a creditor nation, be able to place our foreign commercial intercourse on a sound business basis.

A study of our foreign trade by groups according to use and degree of manufactures shows that finished products ready for consumption occupy at present the most prominent place in our exports; the exports of this group advanced from \$724,908,000 in 1914 to \$2,384,018,000 in 1919, and \$2,835,999,000 in 1920; in percentages of the total the advance was from 31.11 per cent to 33.66 per cent and 35.67 per cent; during the eleven months ending November, 1920, the exports of manufactures ready for consumption rose to \$2,898,000,000 or 39.3 per cent of the total.

The value of exported crude materials for use in manufacturing advanced from \$792,716,000 in 1914 to \$1,226,486,000 in 1919 and \$1,968,118,000 in 1920. Crude materials played a more important rôle in our pre-war exports than in the exports of 1919 or 1920; they constituted 34.03 per cent of the total in 1914, 17.32 per cent in 1919 and 24.75 per cent in 1920.

Exports of foodstuffs in crude con-

dition and food animals increased from \$137,495,000 or 5.9 per cent of the total in 1914 to \$719,340,000 or 10.16 per cent in 1919; this was followed by a decline to \$626,577,000 or 7.88 per cent in 1920; during the eleven months ending November, 1920, the exports in this group advanced to \$826,000,000 or 11.2 per cent. The sharp advance in the exports of foodstuffs, partly or wholly manufactured, carried the figures from \$293,218,000 or 12.59 per cent of the total in 1914 to \$1,783,567,000 or 25.19 per cent in 1919 and \$1,514,616,000 or 19.05 per cent in 1920; a considerable decline took place during the eleven months ending November, 1920, which brought down the exports to \$1,028,000,000 or 13.9 per cent.

Manufactures for further use in manufacturing advanced from \$374,224,000 in 1914 to \$953,036,000 in 1919 and \$991,921,000 in 1920; they constituted 16.06 per cent of total exports in 1914, 13.46 per cent in 1919 and 12.48 per cent in 1920; during the eleven months ending November, 1920, the exports in this group declined to \$888,000,000 or 12.1 per cent.

UNITED STATES' IMPORTS

Turning to imports, one finds that crude materials for use in manufacturing advanced from \$632,866,000 or 33.42 per cent in 1914, to \$1,250,711,000 or 40.4 per cent in 1919 and \$2,141,645,000 or 40.89 per cent in 1920; the imports in this group declined to \$1,684,000,000 or 33.6 per cent during the eleven months ending November, 1920.

Imports of foodstuffs in crude condition and food animals rose from \$247,947,000 in 1914 to \$376,223,000 in 1919 and to \$622,440,000 in 1920; there was a slight decline in the relative importance of this group; it dropped from 13.09 per cent in 1914 to 12.15 per

cent in 1919 and 11.88 per cent in 1920; the decline continued through the calendar year of 1920, bringing down the absolute figures for eleven months ending with November to \$535,000,000 and the percentage of the total to 10.7. A marked increase took place in the value of our imports of foodstuffs partly or wholly manufactured; the advance carried the value from \$227,644,000 or 12.02 per cent in 1914 to \$456,237,000 or 14.74 per cent in 1919, \$891,336,000 or 17.02 per cent in 1920 and \$1,185,000,000 or 23.6 per cent for the eleven months ending November, 1920. Our imported foodstuffs include such commodities as tea, coffee, cocoa, sugar, bananas, pineapple, cocoanuts, sago and tapioca. While these foods can not be considered as essential to our existence, they have become just as indispensable in the daily diet of our people as rubber, jute, raw silk and many other tropical products have become indispensable in our industries. We are likely to increase our domestic supply of some of these commodities but, largely because of lack of a suitable climate, we shall continue to draw upon the tropics for them.

The imports of manufactures for further use in manufacturing grew from \$319,275,000 or 18.86 per cent of the total in 1914 to \$605,806,000 or 19.57 per cent in 1919 and \$800,713,000 or 15.28 per cent in 1920. Imports of manufactures ready for consumption were affected by a disorganization of European industries. In 1914, imported manufactures were valued at \$449,318,000 and constituted 23.72 per cent of our total imports; in 1919, their value was \$393,223,000 or 12.7 per cent. The gradual recuperation of Europe is indicated by the rise of our imports in this group to \$745,126,000 or 14.22 per cent in 1920, and to \$821,000,000 or 16.4 per cent for eleven months ending November, 1920.

SHIPMENTS OF WAR SUPPLIES DECLINE

With the signing of the armistice came a marked decline in our shipments of war supplies; thus, the exports of refined copper fell from \$235,000,000 in 1918 to \$118,000,000 in 1919, the exports of steel billets from \$165,000,000 in 1918 to \$77,000,000 in 1919, the exports of explosives from \$373,890,000 in 1918 to \$122,731,000 in 1919.

The decline of our shipments of war supplies was more than counterbalanced by a rapid rise in our shipments of foodstuffs and raw materials to the devastated countries of Europe. While in November, 1918, we exported to Europe goods valued at \$297,363,000, by January, 1919, exports to that continent rose to \$370,479,000, and by June of the same year to \$644,604,000. Europe was clamoring for our goods and was willing to pay any price for them as long as we were willing to extend her credits. Shipments to Europe were stimulated partly by our desire to feed the hungry and to help the allies in their work of reconstruction and partly by large profits which we were making on our sales. These increased shipments after the cessation of hostilities were made possible by the discontinuance or modification of war-time restrictions on trade and by the release of a large amount of shipping space previously employed by the military forces. Our total exports to Europe rose from \$3,732,174,000 in 1918 to \$4,644,937,000 in 1919, most of the increase having occurred since the armistice. European demand continued unabated throughout 1920, our exports in that year having reached the figure of \$4,864,155,000. These are figures for the fiscal year.

A material falling off in our exports to Europe took place during the eleven months ending November, 1920; the decline brought our exports down to

\$4,078,584,000, as contrasted with \$4,765,537,000 for the eleven months ending November, 1919. One of the reasons for this decline was a marked falling off in our exports of meat and dairy products, Europe beginning to draw more and more upon her own resources and upon countries other than the United States. During the eleven months ending November, 1919, our shipments of meat and dairy products were valued at \$1,044,083,000, while during the same period in 1920 we exported these products only to the extent of \$491,107,000; this represents a decline of 55 per cent. The gradual recuperation of Europe is also indicated by the falling off in the value of our exports of finished commodities, especially consumers' goods, in favor of raw materials, partly manufactured goods, and finished producers' goods, such commodities as tools, implements, machinery, mineral oil, etc.

The rise in the value of our imports from Europe after the signing of the armistice was slight at first. Imports increased from \$20,418,000 in November, 1918, to \$21,816,000 in January, 1919, and to \$53,385,000 in June of the same year. Total imports from Europe declined from \$895,603,000 in 1914 to \$411,578,000 in 1918 and \$372,957,000 in 1919; in 1920 they advanced to \$1,179,461,000 or more than triple the imports for the previous year; for the eleven months ending November, 1920, our receipts from Europe equalled \$1,160,414,000. In connection with the increase of importations from Europe it is worth while to note that a part of this increase has been due not to the reestablishment of European industries but to the resumption of British merchandising activities, England rapidly regaining her former position as an intermediary; thus, out of \$524,021,000 of goods which came to us in 1920 from the British Isles, about one-

half consisted of British re-exports of such commodities as rubber, wool, fur, raw cotton and tin.

EFFECT OF WAR ON EUROPEAN EXPORTS

The disastrous effect of the war on European exports to the United States may be inferred from the fact that while in 1914 our imports from Europe constituted 47.2 per cent of our total imports, in 1919 they represented only 12.2 per cent; and in 1920 there was a rise to 22.6 per cent. Europe's recovery is beginning to be felt in our markets as well as in the other markets of the world; and in the not too distant future, European competition is likely to become an important factor in international commerce.

The changes in our exports and imports by Grand Divisions, are shown in the accompanying table.

The figures show that outside of Europe our best customers were our neighbors of the North American continent; it is also from them that we draw a great many of our foreign supplies. Our total trade with North America rose from \$2,340,728,000 in 1919 to \$3,122,273,000 in 1920 and \$3,341,657,000 during the eleven months ending November, 1920. The fall in prices will doubtless adversely affect the value statistics of this trade as it will affect also the value statistics of our total commerce, but the amount of our imports and exports to and from Canada, Cuba and Mexico is not likely to decline. One of the reasons for the growth of this trade is to be found in the recent investments of American capital in these countries; such investments will not be withdrawn; on the contrary, they will, in all probability, be increased.

The showing of our trade with South America is not as satisfactory as that with North America, though a

EXPORTS

	1914	1919	1920	11 months ended November, 1920
<i>To</i>				
Europe.....	\$1,486,499,000	\$4,644,937,000	\$4,864,155,000	\$4,078,584,000
North America.....	528,645,000	1,288,158,000	1,635,813,000	1,767,391,000
South America.....	124,540,000	400,646,000	490,944,000	556,614,000
Asia.....	113,426,000	604,721,000	798,137,000	716,788,000
Oceania.....	83,568,000	208,622,000	193,235,000	239,977,000
Africa.....	27,902,000	85,157,000	128,756,000	149,070,000

IMPORTS

<i>From</i>				
Europe.....	\$895,603,000	\$372,954,000	\$1,179,461,000	\$1,160,414,000
North America.....	427,399,000	1,052,570,000	1,486,460,000	1,574,266,000
South America.....	222,677,000	568,375,000	860,944,000	725,138,000
Asia.....	286,952,000	830,904,000	1,368,699,000	1,222,898,000
Oceania.....	42,144,000	190,008,000	157,892,000	183,758,000
Africa.....	19,149,000	81,066,000	185,196,000	146,828,000

certain improvement is noticeable for the calendar year 1920; our exports to that continent advanced from \$490,-944,000 for the twelve months ending June, 1920, to \$556,614,000 for the eleven months ending November of the same year. We have not developed the markets of Argentine, Brazil, Peru, Chile and other South American republics as well as we might have done especially in view of the fact that our imports from these countries have grown considerably during the past few years; the excess of our imports over exports reached in 1920 the sum of \$350,000,000. Neither have we increased our exports to Asia in proportion to the growth of our dependence upon that continent for its products; our exports to Asia in 1920 were \$798,137,000 while our imports equaled \$1,368,699,000, representing an excess of imports over exports equalling \$570,562,000. Thus, while we have been piling up enormous balances in our favor in Europe, we have been ac-

cumulating liabilities in other parts of the world.

Our investments in Asia and South America are too small as yet to view the excess shipments as representing payments of interest to us, and while some of these shipments may have been made in fulfilment of European obligations, the proportion of such shipments was comparatively small. One must not overlook the fact that the financing of American exports to Europe by the Government did not end with the war. At the time of the signing of the armistice the credits extended to the allies were \$8,500,000,000 out of \$10,000,000,000 appropriated by Congress for that purpose. The extension of government credit continued until the total sum appropriated was reached. This occurred in the middle of 1919. Since then private interests took upon themselves the financing of sales. The extent to which our credits to European customers have been stretched may be realized when

one reflects that during the two years since the termination of the war Europe's debt to us increased by about \$8,000,000,000, of which \$3,500,000,000 represents a floating debt, largely open book accounts. Our shipments to Europe have been kept up month after month and year after year without any serious consideration of the ability of European purchasers to meet their obligations. We have thus accumulated a large volume of book credits with little likelihood of their being liquidated within a reasonably near future.

The abnormal growth in the value of our commerce during the war was due largely to a rise in prices. Measured in terms of quantity our gains in exports and imports were considerably smaller than value statistics indicate. Price inflation continued after the signing of the armistice, prices of many commodities having risen above the war level. It is only recently that price declines have set in. Value statistics of the post-war commerce of the United States are thus just as misleading as indicators of the actual movement of goods as were value statistics for the years 1915-1918.

Mr. O. P. Austin in the October, 1920, issue of *The Americas* compares the quantity and value of exports and imports for 1914, the fiscal year just preceding the war, with 1920, the first year of peace. By using those commodities for which both weight and value are stated in governmental returns, he arrives at the following results: While the weight of our imports increased from 34,992,000,000 pounds in 1914 to 57,978,000,000 pounds in 1920 or 65.6 per cent, the value of these imports rose from \$1,163,000,000 to \$3,999,000,000 or 243.9 per cent; the weight of exports rose from 110,409,000,000 in 1914 to 148,693,000,000 in 1920 or 34.6 per

cent; the value rise was from \$1,667,000,000 to \$5,474,000,000 or 225 per cent. If one applies the 1914 prices to 1920 quantities, one obtains as the value of imports in 1920, \$1,977,000,000 and the value of exports, \$2,308,000,000. Assuming that a similar relation of 1920 prices per unit of quantity occurred in those articles in which weights are not shown, Mr. Austin arrives at the conclusion that the total domestic exports of 1920, the value of which was \$7,950,000,000, would, if stated in 1914 prices, have amounted to only about \$3,340,000,000, and the total imports would have amounted at the same valuation to \$2,600,000,000 instead of \$5,239,000,000.

REASONS FOR OUR "FAVORABLE" BALANCE OF TRADE

Those who have been viewing with apprehension our recent large excesses of exports over imports and who have been asking themselves the question as to how such excesses may be reduced, will derive some comfort from the knowledge that one of the reasons for our "favorable" balance of trade may be found in the fact that the rise in prices of the articles exported by us was much greater than the rise in prices of the articles imported. Our imports were mostly from areas not affected by the war and they consisted mostly of commodities which were not necessary for military purposes, while the majority of our exports were goods urgently needed; first, to carry on the conflict, and then to feed the starving millions of Europe and to assist in the rehabilitation of their industries.

Urgency of demand, coupled with limitation of supply, forced the prices of our export goods sharply upwards. It was only after the signing of the armistice that many of the import prices went up anywhere in proportion

to the advance in export prices. While our shipments, especially those to Europe, were large, it is nearer the truth to say that excessive export

prices and not excessive exports were mainly responsible for the top-heavy condition of our war and post-war commerce.

The International Trade Situation in Canada

By COL. JOHN A. COOPER

Canadian Government Representative in New York

CANADA'S international trade history is that of a long struggle against what seemed to be the logic of the situation. The Canadian pioneer struggled bravely to transform a forest-clad land into a garden. It was a supreme struggle with nature and nature's intentions. So the Canadian trader who desired to do business with foreign countries had to overlook geographical considerations and take his wares long distances overseas. If he could have had unimpeded access to the United States market and had that market been able to absorb his surpluses, his task would have been easy. But politics, tariffs and similarity of products decreed that it must be otherwise.

In the first twenty years of Confederation, 1868 to 1887, Canada exported goods to the value of \$1,460,000,000 of which \$665,000,000 went to the United States and the remainder to the rest of the world. Of her total sales, only 45 per cent went to the large neighboring market. The remainder, or 55 per cent, had to be sent overseas. In those days the distances to foreign markets were farther than today, because the ships that carried the goods were smaller and slower.

In the next twenty years, 1888 to 1907, the same tendency is evident. There had been talk of "reciprocity" with the United States, but the McKinley Tariff of 1890 dealt that idea a staggering blow. In 1897, the Cana-

dian people definitely made up their mind that their political and economic safety lay in developing the markets of the British Empire rather than the markets of the United States. In the twenty-year period, 1888 to 1907, Canada's exports were divided as follows:

United Kingdom	\$1,551,809,000
United States	1,029,600,000
Other countries	268,304,000
Total	<hr/> \$2,849,713,000

In this period, the sales to the United States fell to 38 per cent and those to the rest of the world grew to 62 per cent. Canada was definitely launched on a non-continental policy. The world, not the North American continent, was to be her chief market.

During the following eleven years, 1908 to 1918, a great war occurred and the shipments of munitions to Great Britain made the tendency even more marked. The unusual circumstances make the figures interesting, but prevent the drawing of any definite conclusions. They are:

	1908-1918 (inclusive)
United Kingdom	\$3,283,023,000
United States	1,861,883,000
Other countries	818,601,000
Total	<hr/> \$5,963,507,000

During this period, only 31 per cent of Canadian exports went to the United States.